

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07

COME-00 TRSE-00 OPIC-03 /066 W

----- 127117

R 211102Z FEB 75

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 4862

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EO 11652: NA

TAGS: BBAK, ELAB, AU

SUBJECT: BICYCLE CRISIS THREATENS 1400 JOBS IN STYRIA

SUMMARY: LAYOFFS IN TWO AUSTRIAN BICYCLE MANUFACTURING FIRMS ARE THREATENING JOBS OF ABOUT 1,400 WORKERS IN PROVINCE OF STYRIA. JUNIORWERKE, U.S.-OWNED AND FACING BANKRUPTCY HAS RELIED ALMOST ENTIRELY ON U.S. MARKET. BICYCLE DIVISION OF STEYR-DAIMLER-PUCH (SDP) HAS BEEN SELLING ONE-FOURTH ITS PRODUCTION TO SEARS, ROEBUCK WHICH HAS SUSPENDED PURCHASES FOR 1975 SEASON. SDP EXECUTIVE, WHO SAYS HE FEARS BAD IMAGE FOR U.S. MULTINATIONALS, MEETING SEARS OFFICIALS IN CHICAGO NEXT WEEK IN ATTEMPT SECURE RELEASE OF SOME ORDERS SOON. END SUMMARY.

1. UNFAVORABLE DOLLAR/SCHILLING EXCHANGE RATE, SHARP DROP IN OVERALL U.S. BICYCLE CONSUMPTION AND APPARENTLY UNCOMPETITIVE AUSTRIAN PRODUCT HAVE SERIOUSLY AFFECTED THE TWO AUSTRIAN BICYCLE PRODUCERS. JUNIORFAHRRADWERKE (OWNED BY AMERICAN FIRM STELBER INDUSTRIES BUT HEAVILY INDEBTED TO CREDITANSTALT AND 80 PERCENT OF ITS SHARES PLEDGED TO STYRIAN PROVINCIAL GOVERNMENT) HAS LAID OFF ABOUT 6700 WORKERS; BICYCLE AND MOTOR BIKE DIVISION OF STEYR-DAIMLER-PUCH (SDP RANKS AMONG COUNTRY'S LARGEST MANUFACTURING CONCERNS) PLANNING SEPARATE

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ABOUT 700 OF DIVISION'S 5,500 EMPLOYEES BY END OF MONTH.

2. JUNIORWERKE HAS HAD LONG HISTROY OF UPS AND DOWNS;
IT SEEMS THAT STELBER INDUSTRIES, ITSELF IN TROUBLE,
HAS BEEN FORCED TO LEAVE JUNIORWERKE PRETTY MUCH TO ITS
OWN DEVICES. JUNIORWERKE IS \$10 MILLION IN DEBT, OUT
OF WORKING CAPITAL AND ON VERGE OF BANKRUPTCY AND CLOSURE
UNLESS SOME QUICK SOLUTION IS FOUND.

3. COMING ON HEELS OF JUNIORWERKE DISMISSALS, NEWS OF
SDP LAYOFFS HAVE MADE HEADLINES IN VIENNA AND GRAZ.
NEWS REPORTS THAT SDP'S MAIN CUSTOMER HAD CANCELLED ITS
ORDERS FOR 1975 SEASON ARE CONFIRMED BY DR. FRANZ
LEIDENFROST, WHO IS HEAD OF FINANCE AND PLANNING DIVISION
FOR SDP AND ALSO RESPONSIBLE FOR ITS BICYCLE DIVISION.
LEIDENFROST TOLD EMBASSY THAT SEARS HAS SUSPENDED DE-
LIVERIES ON BALANCE OF ITS BICYCLE ORDER FOR 1975 SEASON
UNTIL FURTHER NOTICE (ONLY FOUR TO FIVE THOUSAND HAVE
BEEN DELIVERED OF 85,000 UNIT ORDER). LEIDENFROST FEARS
THIS MEANS NO MORE DELIVERIES FOR SEASON SINCE SEARS
TRYING HELP SDP DISPOSE OF AS49 MILLION WORTH OF RAW
MATERIALS PURCHASED ON BASIS OF SEARS ORDER.

4. LEIDENFROST SAYS UNEMPLOYMENT OF THIS MAGNITUDE--
PARTICULARLY IN A DEPRESSED AREA OF STYRIA--
IS CREATING BAD IMAGE FOR U.S. MULTINATIONALS. ALTHOUGH
HE IS HIGHLY CRITICAL OVER WAY STELBER INDUSTRIES HAS
HANDLED ITS AFFAIRS HERE, HE HAS NO RPT NO CRITICISM OF
SEARS. HIS TRIP TO CHICAGO, WHERE HE PLANS SEE MR. LINT,
SPORTING GOODS AND RECREATIONAL PRODUCTS DIVISION HEAD
AND HIS ASSISTANT, MR. SYMINGTON, TO TRY SAVE A FEW ORDERS
THIS YEAR AND ALSO LONG-TERM BUSINESS WITH SEARS, WITH
WHICH SDP HAS HAD 20-YEAR RELATIONSHIP. LEIDENFROST
HOPEFUL WASHINGTON (STATE OR COMMERCE) WOULD DISCUSS
SITUATION WITH SEARS EXECUTIVE IN LIGHT OF ADVERSE
SENTIMENT HE SEES BUILDING UP HERE TOWARD U.S. MULTI-
NATIONALS.

5. COMMENT: IT PARTICULARLY UNFORTUNATE THAT THIS
SITUATION OCCURING IN DEPRESSED STYRIAN AREA AND IN
INDUSTRY SO DEPENDENT ON U.S. MARKET. (WE ARE ALSO
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CONCERNED ABOUT POSSIBLE ADVERSE EFFECTS ON OUR
AMERIKA DAYS EVENTS IN GRAZ, APRIL 7-22. EMBASSY TOLD
LEIDENFROST IT WOULD RELAY HIS COMMENTS TO DEPARTMENT
BUT MADE NO PROMISES REGARDING EVENTUAL USG INTERCESSION
WITH SEARS. EXCEPT FOR SOME SHARPLY CRITICAL PRESS
COMMENTS OF PAST STELBER/JUNIORWERKE PRACTICES, PRESS
TREATMENT OF SITUATION HAS BEEN OBJECTIVE AND UNDER-
STANDING OF U.S. SITUATION. DEPARTMENT MAY WISH

DISCUSS WITH LINT. HUMES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRY, UNEMPLOYMENT, BICYCLES, BANKRUPTCIES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975VIENNA01508
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750062-0467
From: VIENNA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750221/aaaaatah.tel
Line Count: 116
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 31 MAR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 MAR 2003 by BoyleJA>; APPROVED <02 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BICYCLE CRISIS THREATENS 1400 JOBS IN STYRIA SUMMARY: LAYOFFS IN TWO AUSTRIAN BICYCLE MANUFACTURING
TAGS: BBAK, ELAB, AU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006